GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5868
ANSWERED ON:03.05.2002
INTEREST RATES ON FDS AND GPF
GADDE RAMAMOHAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have recently announced reduction in interest rates on FDs and GPF and other deposits;

(b) if so, the reasons for the same;

(c) whether in view of this banks have also reduced the interest on loans given by them for housing purposes by half percent;

(d) if so, whether the Government are also going to reduce interest rate on HBA taken by Government employees;

(e) if so, the details; and

(f) if not, the reasons for the same?

Answer

MINISTER OF STATE FOR FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) Government have reduced most administered interest rates viz. on GPF, PPF etc. by half-a-percent from March 1, 2002/April 1, 2002. As for interest rates on fixed deposits, commercial banks have freedom to fix interest rates on domestic term deposits of various maturities with the prior approval of their Board of Directors/Asset Liability Management Committee.

(b) The real rates of interest on Provident Fund and other small savingsschemes were considered to be high, preventing the downward movement of other rates of interest in the economy.

(c) Banks have freedom in the matter of levy of interest on various loans and advances provided by them.

(d) & (e) Consequent upon the reduction of most administered interest rates by 50 basis points, interest chargeable on House Building Advances (HBA) to Central Government employees has also been reduced by 0.5 percent from April 1, 2002.

(f) Does not arise.